

Town of Addis, Louisiana
Annual Financial Report
Year ended December 31, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/10/03

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Carroll P. Bourgeois, Mayor
and Members of the Board of Aldermen
Addis, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Addis, Louisiana, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Addis, Louisiana as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 21, 2003, on my consideration of the Town of Addis, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial information listed as "Schedules" in the table of contents and the accompanying schedule of expenditures of federal awards as required by U. S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Addis, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to such statements taken as a whole.



W. Kathleen Beard, CPA
August 21, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS
(Combined Statements Overview)

Town of Addis, Louisiana
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2002
with Comparative Totals for December 31, 2001

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
ASSETS			
Cash in governmental funds	\$271,842	\$100	\$46
Cash and cash equivalents in proprietary funds	0	0	0
Investments	276,508	0	0
Receivables -			
Sales tax	57,474	0	0
Intergovernmental -			
Beer & video poker	6,209	0	0
Grants funds	4,627	0	9,912
Franchise fees	28,338	0	0
Accounts/other	0	0	0
Due from other funds	11,142	0	0
Advance to Sanitation - Sewer Project	688,841	0	0
Prepays	0	0	0
Inventory	0	0	0
Land, buildings, and equipment	0	0	0
Utility plant, and equipment (net of depreciation)	0	0	0
Other debits:			
Amount to be provided for payment of note payable	10,000	0	0
TOTAL ASSETS AND OTHER DEBITS	\$1,354,982	\$100	\$9,957
LIABILITIES AND FUND EQUITY			
Liabilities:			
Current -			
Accounts payable and accrued liabilities	\$25,800	\$0	\$0
Contracts payable	130,403	0	9,912
Due to other funds	0	100	46
Due to other governments	5,339	0	0
Advance from General fund - Sewer project	0	0	0
Note payable - Settlement	10,000	0	0
Total Liabilities	171,542	100	9,957
Fund Equity:			
Contributed Capital (net)	0	0	0
Investment in General Fixed Assets	0	0	0
Fund balance - reserved for Sewer receivable	688,841	0	0
Fund balance - unreserved	494,600	0	0
Retained Earnings	0	0	0
Total Fund Equity	1,183,441	0	0
TOTAL LIABILITIES AND FUND EQUITY	\$1,354,982	\$100	\$9,957

The accompanying notes to the financial statements are an integral part of this statement.

Exhibit A

Proprietary Fund Type	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	2002	2001
Enterprise				
\$0	\$0	\$0	\$271,988	\$642,694
64,870	0	0	64,870	103,401
0	0	0	276,508	258,584
0	0	0	57,474	38,789
0	0	0	6,209	4,887
0	0	0	14,538	32,744
0	0	0	28,338	21,601
13,180	0	0	13,180	15,787
0	0	0	11,142	10,924
0	0	0	688,841	688,841
272	0	0	272	4,200
10,908	0	0	10,908	8,304
0	3,346,550	0	3,346,550	1,723,866
3,023,392	0	0	3,023,392	3,033,648
0	0	90,000	100,000	0
<u>\$3,112,623</u>	<u>\$3,346,550</u>	<u>\$90,000</u>	<u>\$7,914,212</u>	<u>\$6,588,270</u>
=====	=====	=====	=====	=====
\$5,462	\$0	\$0	\$31,262	\$49,974
0	0	0	140,314	0
10,997	0	0	11,142	10,924
0	0	0	5,339	19,723
688,841	0	0	688,841	688,841
0	0	90,000	100,000	0
<u>705,299</u>	<u>0</u>	<u>90,000</u>	<u>976,898</u>	<u>769,463</u>
2,364,151	0	0	2,364,151	2,396,182
0	3,346,550	0	3,346,550	1,723,866
0	0	0	688,841	688,841
0	0	0	494,600	954,934
43,172	0	0	43,172	54,983
<u>2,407,323</u>	<u>3,346,550</u>	<u>0</u>	<u>6,937,314</u>	<u>5,818,807</u>
<u>\$3,112,623</u>	<u>\$3,346,550</u>	<u>\$90,000</u>	<u>\$7,914,212</u>	<u>\$6,588,270</u>
=====	=====	=====	=====	=====

Town of Addis, Louisiana
Combined Statement of Revenues, Expenditures and Changes in
Fund Balance - All Governmental Fund Types
Year ended December 31, 2002 with comparative totals for 2001

Exhibit B

				Totals "Memorandum Only"	
	General	Special Revenue	Capital Projects LCDBG	2002	2001
REVENUES:					
Taxes:					
Parish sales tax	\$694,113	\$0	\$0	\$694,113	\$545,581
Intergovernmental:					
State -					
Beer tax	2,760	0	0	2,760	1,541
Video poker tax	29,187	0	0	29,187	29,408
LA Law enforcement grants	971	0	0	971	1,292
Rural development grant	16,000	0	0	16,000	22,000
Federal -					
LCDBG	0	0	1,000,000	1,000,000	0
FEMA	6,142	0	0	6,142	0
Law enforcement grants	18,939	0	0	18,939	22,120
Charges for services	7,796	0	0	7,796	6,361
Licenses and permits	58,926	0	0	58,926	51,120
Franchise fees	88,466	0	0	88,466	86,235
Fines and forfeitures	74,869	0	0	74,869	57,122
Investment income	20,530	0	0	20,530	36,501
Sale of fixed assets	3,628	0	0	3,628	3,950
Miscellaneous police grants	0	0	0	0	1,500
Miscellaneous	1,238	0	0	1,238	1,075
Local revenues	0	0	580,877	580,877	87,577
Total revenues	1,023,565	0	1,580,877	2,604,442	953,382
EXPENDITURES:					
Current -					
General government	282,872	0	0	282,872	272,214
Public safety - Police Department	368,885	514	0	369,399	253,820
Public works - Streets	157,398	0	0	157,398	127,343
Capital outlay	52,158	0	1,580,877	1,633,035	225,597
Total expenditures	861,313	514	1,580,877	2,442,704	878,974
Excess (deficiency) Revenues over Expenditures	162,252	(514)	0	161,738	74,408
OTHER FINANCING SOURCES (USES):					
Operating transfers In (Out)	(9,275)	0	0	(9,275)	0
Total other financing sources (uses)	(9,275)	0	0	(9,275)	0
Excess (deficiency) of Revenues and other sources over expenditures and other (uses)	152,977	(514)	0	152,463	74,408
FUND BALANCE - BEGINNING	1,643,261	514	0	1,643,775	1,575,130
Residual Equity Transfers In (Out)	(612,797)	0	0	(612,797)	(5,762)
FUND BALANCE - ENDING	\$1,183,441	\$0	\$0	\$1,183,441	\$1,643,776
	=====	=====	=====	=====	=====

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis, Louisiana
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
Governmental Fund Types - General Fund
Year ended December 31, 2002 with comparative totals for 2001

Exhibit C

	General Fund			
	<u>Revised Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>2001 Actual</u>
REVENUE:				
Taxes:				
Sales tax	\$495,000	\$694,113	\$199,113	\$545,581
Intergovernmental:				
State -				
Beer tax	1,300	2,760	1,460	1,541
Video poker tax	30,000	29,187	(813)	29,408
Capital law enforcement grant	400	971	571	1,292
Rural development grant	16,000	16,000	0	22,000
Federal -				
FEMA	0	6,142	6,142	0
COPS Grant	5,000	11,522	6,522	7,421
Criminal patrols/ICAP	10,000	3,969	(6,031)	8,564
Highway Safety	5,000	502	(4,499)	1,533
Domestic violence program	0	0	0	2031
LLEBG Police Grant	2,951	2,946	(5)	0
Law enforcement equipment grant	2,570	0	(2,570)	2,570
Charges for services:				
Grass cutting	4,250	4,246	(4)	4,246
Hall receipts	2,400	3,550	1,150	2,115
Licenses and permits	57,300	58,926	1,626	51,120
Franchise fees	84,000	88,466	4,466	86,235
Fines and forfeitures	56,500	74,869	18,369	57,122
Investment income	15,000	20,530	5,530	36,501
Sale of fixed assets	3,600	3,628	28	3,950
Miscellaneous	2,069	1,239	(831)	2,575
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	793,340	1,023,565	230,225	865,804
EXPENDITURES:				
Current -				
General government	281,350	282,872	(1,522)	272,214
Public safety - Police Department	367,970	368,885	(915)	253,734
Public works - Streets	145,720	157,398	(11,678)	127,343
Capital outlay	699,300	52,158	647,142	138,020
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,494,340	861,313	633,027	791,310
	<hr/>	<hr/>	<hr/>	<hr/>
Excess Revenues Over (Under) Expenditures	(701,000)	162,252	863,252	74,494
OTHER FINANCING SOURCES (USES):				
Operating transfers In (Out)	0	(9,275)	(9,275)	71
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	0	(9,275)	(9,275)	71
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of Revenues and other financing sources over (under) expenditures and other financing uses	(701,000)	152,977	853,977	74,565
FUND BALANCE - BEGINNING	1,574,458	1,643,261	68,803	1,574,458
Residual equity transfers In (Out)	0	(612,797)	(612,797)	(5,762)
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - ENDING	\$873,458	\$1,183,441	\$309,983	\$1,643,261
	=====	=====	=====	=====

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis, Louisiana
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings - Proprietary Fund Types
Year ended December 31, 2002, with comparative totals for 2001

Exhibit D

	<u>Enterprise Fund - Sewer Fund</u>	
	<u>2002</u>	<u>2001</u>
OPERATING REVENUE		
Sewer fees	\$139,080	\$132,960
Installations	13,025	11,020
Miscellaneous	1,000	0
	-----	-----
Total operating revenue	153,105	143,980
OPERATING EXPENSE		
Salaries	56,636	52,058
Medicare & OAB tax	4,510	4,270
Health insurance	11,761	10,029
Expense allowance	398	283
Deferred compensation expense	2,323	2,222
Gas and oil	1,482	1,525
Insurance	7,858	10,291
Utilities	16,758	19,606
Telephone	724	780
Supplies, small tools and chemicals	9,634	8,665
Repairs and maintenance	9,277	7,599
Testing expense & sludge removal	1,680	2,281
Uniforms	1,189	1,139
Dues and permits	1,266	2,563
Collection fees	174	0
Miscellaneous	1,589	761
Engineering	0	6,622
Depreciation	110,884	107,633
	-----	-----
Total Operating Expense	238,142	238,327
NET OPERATING (LOSS) BEFORE OPERATING TRANSFERS	(85,037)	(94,347)
	-----	-----
OPERATING TRANSFERS		
Operating transfer in - General Fund	9,275	0
	-----	-----
NET (LOSS)	(75,762)	(94,347)
Non-operating Revenue (Expense)		
Impact fees	0	4,200
	-----	-----
Total Non-operating Revenue (Expense)	0	4,200
	-----	-----
Net Income (Loss)	(75,762)	(90,147)
Add back depreciation on assets acquired with Contributed Capital	65,331	70,254
	-----	-----
INCREASE (DECREASE) IN RETAINED EARNINGS	(10,431)	(19,893)
RETAINED EARNINGS - BEGINNING	54,983	156,691
Residual equity transfer out - Capital Projects Fund	(1,380)	(81,815)
	-----	-----
RETAINED EARNINGS - ENDING	\$43,172	\$54,983
	=====	=====

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis, Louisiana
Combined Statement of Cash Flows
Proprietary Fund Types
Year ended December 31, 2002
With Comparative Totals for 2001

Exhibit E

	<u>Enterprise Fund - Sewer Fund</u>	
	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$152,120	\$154,350
Cash payments for goods and services	(74,800)	(80,342)
Cash payments for salaries	(56,636)	(52,058)
Operating transfer in from general fund	9,275	0
	-----	-----
Net Cash Provided by (Used for) Operating Activities	29,960	21,950
	-----	-----
CASH FLOWS FOR NONCAPITAL FINANCING ACTIVITIES:		
Operating loan from general fund	218	60
	-----	-----
Net Cash Provided by (Used for) NonCapital and related financing activities	218	60
	-----	-----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(100,628)	(26,550)
Residual equity transfer from General Fund	33,300	0
Residual equity transfers to Capital Projects	(1,380)	(11,815)
Impact fee collected from customers	0	4,200
	-----	-----
Net Cash Provided by (Used for) Capital and related financing activities	(68,708)	(34,165)
	-----	-----
INCREASE (DECREASE) IN CASH	(38,531)	(12,155)
CASH AND CASH EQUIVALENTS - BEGINNING	103,401	115,556
	-----	-----
CASH AND CASH EQUIVALENTS - ENDING	\$64,871	\$103,401
	=====	=====
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	(\$75,762)	(\$94,347)
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation	110,884	107,633
Change in Assets and Liabilities -		
(Increase) Decrease in accounts receivable	(985)	10,369
(Increase) Decrease in prepaid insurance	3,928	(676)
(Increase) Decrease in inventory	(2,605)	(8,304)
Increase (Decrease) in accounts payable & accrued liabilities	(5,500)	7,275
	-----	-----
Net Cash Provided by (Used for) Operating Activities	29,960	21,950
	=====	=====

The accompanying notes to the financial statements are an integral part of this statement.

Introduction

The Town of Addis was incorporated September 1915, under the provisions of Title 33, Chapter 2, Part 1, of the Louisiana Revised Statutes (Lawrason Act - Act No. 36 of 1898). The "Town" operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the Town of Addis, Louisiana have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental funds. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (where applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

B. Financial Reporting Entity

GASB Codification Section 2100, as amended by GASB Statement No. 14, established criteria for determining which component units should be considered part of the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes: (1) appointing a voting majority of an organization's governing body, and the ability of the reporting entity to impose its will on that organization's governing body, and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens to the reporting entity; (2) organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity; and (3) organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

For financial reporting purposes, in conformance with GASB Statement No. 14, the Town of Addis, includes all funds, account groups, and activities that are controlled by, or dependent on, the Town executive and legislative branches (Mayor and Board of Aldermen). Control by or dependence on the Town is determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The accompanying financial statements present only information on the funds maintained by the Town and do not present information on any other governmental entity.

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting

The accounts of the Town of Addis are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include assets, liabilities, fund equity, revenues and expenses or expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two generic fund types under two broad fund categories as follows:

Governmental Funds Types:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.

Proprietary Fund Types:

Enterprise Fund - Used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis are financed through user charges.

General Fixed Asset Group:

The General Fixed Asset Group is used to record the fixed assets used in governmental fund type operations.

D. Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. The Town considers sales taxes available when in the hands of the intermediary collecting governments and are recognized as revenues at that time. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

1. Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor prepares a proposed budget and submits same to the Board of Aldermen prior to the beginning of each year.
2. The budget for the next fiscal year is adopted through passage of a resolution at the last council meeting of each fiscal year.
3. All budgetary appropriations lapse at the end of each fiscal year.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.
5. Expenditures may exceed budgeted amounts providing funds are available and subsequent to the board's approval.
6. Formal budgetary integration is employed as a management control device. Budgeted amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments. All budgetary appropriations lapse at the end of each fiscal year.

The Town of Addis Police Department does not adopt a budget for the Special Revenue Fund - Asset Forfeiture Fund since the revenue derived from seized assets related to drug law enforcement is not predictable and therefore, does not lend itself to reasonable estimate.

G. Encumbrances

Encumbrance accounting is not employed by the Town of Addis.

H. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. Summary of Significant Accounting Policies (Continued)

I. Comparative Data

Comparative totals for the prior year have been presented in the accompanying combined financial statements in order to provide an understanding of changes in the City's financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. Property, Plant and Equipment

General Fixed Assets Account Groups - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems. Depreciation is not provided on general fixed assets. Interest has not been capitalized on fixed assets in Governmental Fund Type operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated.

Proprietary Fund Types - The property, plant and equipment owned by the Proprietary Funds are recorded at cost, or if contributed property, at their fair market value on date contributed. Depreciation is computed on the straight-line method over estimated useful lives of 8-50 years. Depreciation expense was recorded in the proprietary fund. Interest costs incurred during the construction phase is capitalized.

K. Inventory

Inventory in the Proprietary Fund consists of sewer tanks which have been purchased but not yet installed into the sewer system. The tanks are recorded at cost.

L. Compensated Absences

Employees of the Town earn vacation or sick leave at varying rates based upon length of service. Vacation leave is non-cumulative, unused personal/sick leave may be carried into the ninety days of the subsequent year. Any unused personal/sick leave is immaterial, therefore, no accrual has been made.

2. Cash and Investments

Cash - State statutes require that all deposits in financial institutions be fully collateralized and that the market value of the deposit collateral have a market value of not less than the principal amount of the deposits. At December 31, 2002 the carrying amount (book balance) of the Town's deposits was \$336,558 (excluding cash on hand of \$300) and is comprised of checking, savings and money market accounts, having a maturity of one year or less. The respective bank balance of the Town's deposits was \$463,592. Of the bank balances, \$264,331 was covered by federal depository insurance and \$114,798 was insured by Securities Investor Protection Corporation. The remainder was covered by collateral comprised of pledged securities having a market value of \$500,000 held by First National Bankers Bank in the name of Iberville Trust and Savings Bank (Uncollateralized - Category 3).

Investments - State statutes, and Town investment policies authorize the Town to invest in obligations of the U. S. Government and its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality and insured or collateralized certificates of deposit of state banks organized under the laws of Louisiana or national banks having their principal offices in the state of Louisiana. The General Fund holds the following investments:

	<u>Cost Basis</u>	<u>Carrying Value Fair Value</u>
U. S. Treasury Notes	\$ 199,758	\$ 202,352
FNMA Notes	<u>75,000</u>	<u>74,156</u>
Total Investments	<u>\$ 274,758</u>	<u>\$ 276,508</u>

Town of Addis, Louisiana
Notes to the Financial Statements
December 31, 2002

3. Interfund Transactions

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Special Revenue - Federal Asset Forfeiture	General Fund	100
Capital Projects - LCDBG	General Fund	46
Enterprise Fund	General Fund	<u>10,997</u>
		<u>\$ 11,143</u>
		=====
 <u>Advance Payable</u>	 <u>Advance Receivable</u>	
Enterprise Fund - Sanitation	General Fund	<u>\$ 688,841</u>
		=====
 <u>Operating Transfers:</u>		
General Fund	<u>Transfers In</u>	<u>Transfers (Out)</u>
		<u>(\$ 9,275)</u>
		=====
Enterprise Fund	<u>\$ 9,275</u>	
	=====	
<u>Residual Equity Transfers:</u>		
General Fund		<u>(\$ 612,797)</u>
Enterprise Fund		<u>(1,380)</u>
		<u>(\$ 614,177)</u>
		=====
 <u>Local Revenues:</u>		
Capital Projects LCDBG	<u>\$ 580,877</u>	
	=====	
 <u>Contributed Capital:</u>		
Enterprise Fund	<u>\$ 33,300</u>	
	=====	

Town of Addis, Louisiana
Notes to the Financial Statements
December 31, 2002

4. Fixed Assets

A summary of the general fixed assets transactions for the year ended December 31, 2002, follows:

	<u>Balance</u> <u>1/1/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/02</u>
Land	\$ 55,803	\$ 0	\$ 0	\$ 55,803
Buildings	555,192	0	0	555,192
Museum	163,942	26,312	0	190,254
Water System	1	0	0	1
Furniture & Fixtures	37,349	3,473	0	40,822
Equipment & Vehicles	244,937	14,633	11,342	248,228
Police department - Equipment & Vehicles	259,842	31,253	0	291,095
Fire department - Equipment & Vehicles	286,811	0	0	286,811
Website	9,870	0	0	9,870
Construction in progress-LCDBG	87,577	1,580,877	0	1,668,474
Construction in progress- Museum	<u>22,542</u>	<u>22,542</u>	<u>22,542</u>	<u>0</u>
	<u>\$ 1,723,866</u>	<u>\$1,634,006</u>	<u>\$ 33,884</u>	<u>\$ 3,346,550</u>

The following is a summary of the changes in property, plant and equipment of the Enterprise Fund for the year ending December 31, 2002:

	<u>Balance</u> <u>1/1/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/02</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Book Value</u> <u>12/31/02</u>
Utility Plant	\$ 3,674,254	\$ 87,465	\$ 0	\$ 3,761,719	\$ 851,968	\$ 2,909,751
Land	16,755	0	0	16,755	0	16,755
Vehicles	18,882	0	0	18,882	7,553	11,329
Equipment	<u>184,091</u>	<u>13,163</u>	<u>0</u>	<u>197,254</u>	<u>111,697</u>	<u>85,557</u>
	<u>\$ 3,893,982</u>	<u>\$ 100,628</u>	<u>\$ 0</u>	<u>\$ 3,994,610</u>	<u>\$ 971,218</u>	<u>\$ 3,023,392</u>

5. Contributed Capital

The following is a summary of capital contributed for construction of the Town's sewer system. This contributed capital is being amortized over a period of 43 years using the straight-line method.

EPA	\$ 1,719,980
LCD Block Grant	628,806
West Baton Rouge Parish Police Jury	68,000
State of Louisiana	50,000
West Baton Rouge Parish	10,000
1994 LCD Block Grant	332,452
Municipality - General Fund	211,692
Municipality - General Fund	<u>33,300</u>
Total	3,054,229
Less: Accumulated Amortization	<u>(690,078)</u>
Net Contributed Capital	<u><u>\$ 2,364,151</u></u>

6. Sewer User Fees

Charges for sewer use are as follows:

\$10 plus \$1.50 per 1,000 gallons after 4,000 for residential
\$20 plus \$1.50 per 1,000 gallons after 4,000 for non-residential

7. Pension Plan

Plan Description Police employees of the Town of Addis are members of the state retirement system for municipal police employees, a cost sharing multiple-employer public employee retirement system. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. Any member is eligible for normal retirement after he has been a member of the System for 1 year, if he has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. Benefits rates are 3 1/3% of average final compensation per number of years of creditable service no to exceed 100% of final salary. The plan also provides for disability benefits calculated a 3% of average final compensation multiplied by years of creditable service, but not less than forty percent nor more than sixty percent of average final compensation. The Municipal Police Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report may be obtained by calling 1-225-929-7411.

Funding Policy The payroll for employees covered by the System for the year ended December 31, 2002 was \$101,228, the Town's total payroll was \$379,939. Covered employees are required by State statute to contribute 7.5% of their salary to the plan. The Town is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended December 31, 2002 was \$16,702, which consisted of \$9,110 from the Town and \$7,592 from employees; these contributions represent 9% and 7.5% of covered payroll respectively.

8. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all permanent Town employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed \$8,000. The Town contributes on behalf of its employees based upon employee contributions with a maximum match of 5%. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with GASB No. 32, the Town is no longer required to report the plan in its financial statements.

9. Fund Balance Reserve

A reserve of the General Fund fund balance has been established for the interfund receivable from the Enterprise Fund of \$688,841. The amount of the receivable represents general fund revenues expended for construction of the Town's Sewer System which was placed in service in 1992.

10. Intergovernmental Agreements

Fire Protection Sub-District No. 1 of West Baton Rouge -

The Town entered into a local services agreement with the Sub - District in January 1992 to provide fire protection within the Town of Addis. Under the terms of the agreement, the Town has agreed to do the following:

- 1) Lease all vehicles, equipment, and supplies belonging to the Town and for the use of the Addis Volunteer Fire Department to the Sub - District, provided that the Sub - District shall bear the cost of insurance coverage on all vehicles, equipment and supplies, said coverage to be approved by the Town with certificates of such insurance to be presented.
- 2) Permit the Sub - District to use the Town's existing fire stations and Old Town Hall during the term of the agreement, provided that the Sub - District shall provide insurance coverage thereon at least equal to the amount which the Town has in force on the date of the agreement and further provided that the Town is listed as an additional insured on the policy. However, insurance costs as to Station #2 shall be fifty (50%) percent to Town and Fifty (50%) percent to Sub District

The Town entered into a lease agreement with the District for the lease of one 1995 Ford Truck. In consideration for use of the truck, the District is responsible for maintaining insurance coverage and paying all costs related to the truck.

At December 31, 2002, the Town owed the Fire Sub - District \$5,339 which is reported as "Due to Other Governments".

10. Intergovernmental Agreements (Continued)

West Baton Rouge Parish Water Works District No. 1 -

A service agreement effective through December 31, 2003, was formed between the District and the Town to continue an on-going activity in which the District invoices and collects sewer fees from water customers living within the Town. The sewer rates are based on water usage, and customers may have their water service discontinued for non-payment of sewer fees. No compensation is paid to the District, but the Town accepts customer payments for water, sewer, and garbage charges on behalf of the District. The amount due from the District for customer sewer fees billed through December 31, 2002 was \$10,110.

West Baton Rouge Water Works District No. 2 -

A service agreement effective through December 31, 2002, was formed between the District and the Town in which the District shall prepare sewer bills and collect sewer charges for the Town on a monthly basis for those properties being provided said service by the Town which are on the District's water system. The Town shall pay the District \$.33 per bill with the fee to be included on the District's water bill. The fee is shall be deducted from monies collected by the District for the Town. The amount due from the District for customer sewer fees billed through December 31, 2002 was \$ 1,843.

11. Risk Management

The Town of Addis is exposed to various risks of loss for which the Town carries commercial insurance. There have been no reductions in insurance coverage during the last year. Settled claims have not exceeded coverage in the last three years.

12. Contingent Liabilities

Grant Programs -

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors and their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Litigation -

The Town is a defendant in several lawsuits. In the opinion of the Town's management, after consultation with legal counsel, the potential loss on some claims and lawsuits will not materially effect the Town's financial position.

13. Long-Term Debt

The Town issued a note to pay the balance due on the settlement of a lawsuit. The Town paid \$100,000 during 2002 and agreed to pay ten yearly installments of \$10,000 per year commencing on September 1, 2003, with interest paid at the rate of 0%. In the event that any installment is not promptly paid when due, all remaining installments will become immediately due with an additional 25% of both principal and interest due as attorney's fees. Annual payments to retire the note are as follows:

<u>September 1,</u>	
2003	\$ 10,000
2004	10,000
2005	10,000
2006	10,000
2007	10,000
2008-2013	<u>50,000</u>
	<u>\$100,000</u>
	=====

SUPPLEMENTARY INFORMATION

Town of Addis, Louisiana
Schedule of Per Diem Paid to Council Members
Year Ended 12/31/2002

Schedule 1

The schedule of per diem paid to council members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature.

The per diem of the council members is included in the current expenditures of the General Fund.

	<u>Per Diem</u>
Council Members -	
Wilson E. Cazes	\$1,000
Joseph G. Landry	1,000
Harry J. Landry	600
Lance Gauthreaux	1,000
Russell L. Parish	1,000

Total	\$4,600
	=====

Town of Addis, Louisiana
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual - General Fund
Year ended December 31, 2002 with comparative totals for 2001

Schedule 2

	Revised Budget	Actual	Favorable (Unfavorable)	2001 Actual
REVENUE:				
Taxes:				
Sales tax	230,000	347,820	117,820	223,509
Sales tax additional	265,000	346,294	81,294	322,072
Intergovernmental:				
State -				
Beer tax	1,300	2,760	1,460	1,541
Video poker	30,000	29,187	(813)	29,408
Capital District Law Enforcement	400	971	571	0
Capital District Law Enforcement Act 562 Equipment grant	0	0	0	1,292
Rural Development grant	16,000	16,000	0	22,000
Federal -				
FEMA	0	6,142	6,142	0
COPS FAST grant	5,000	11,522	6,522	7,421
LLEBG police grant	2,951	2,946	(5)	0
Criminal patrols/ICAP grant	10,000	3,969	(6,031)	8,564
Highway Safety Commission - Safe and Sober Campaign	5,000	502	(4,499)	1,533
Domestic violence program	0	0	0	2031
Law enforcement equipment grant (LLEBG)	2,570	0	(2,570)	2,570
Charges for services:				
Grass mowing state contract	4,250	4,246	(4)	4,246
Hall rent receipts	2,400	3,550	1,150	2,115
Licenses & Permits:				
Occupational licenses	56,600	58,245	1,645	50,676
Trailer moving permits	100	(110)	(210)	(10)
Building permits	500	665	165	358
Bartenders' permits	100	126	26	96
Fines & forfeitures	53,000	74,869	21,869	57,122
Cable TV franchise fees	3,500	10,305	6,805	7,731
Energy franchise fees	84,000	78,161	(5,839)	78,504
Investment income -				
Interest income	15,000	22,896	7,896	34,108
Net increase (decrease) in fair value of investments	0	(2,366)	(2,366)	2,393
Sale of fixed assets	3,600	3,628	28	3,950
Miscellaneous				
Planning & zoning	400	200	(200)	600
WBR Emergency Task Force Police Grant	0	0	0	1,500
Miscellaneous	1,669	1,038	(631)	475
Total Revenue	793,340	1,023,565	230,225	865,804

Town of Addis, Louisiana
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual - General Fund
Year ended December 31, 2002 with comparative totals for 2001

Schedule 2

	Revised Budget	Actual	Favorable (Unfavorable)	2001 Actual
Expenditures:				
Current:				
General Government -				
Salaries - General Administration	78,500	79,157	(657)	72,092
Councilmens' per diem	5,600	4,600	1,000	5,000
Councilmen's salaries	18,000	18,000	0	18,000
Salaries - Cops General Administrative expense	0	552	(552)	0
Oil and gas	300	198	102	154
Expense allowance	12,000	14,950	(2,950)	13,253
Building inspector	500	0	500	350
Legal and accounting	25,000	28,200	(3,200)	23,297
Official journal	3,500	4,714	(1,214)	5,415
Insurance and bonds	10,000	10,826	(826)	12,730
Health insurance	10,000	8,879	1,121	6,672
Deferred compensation contributions	7,800	6,088	1,712	5,351
Utilities - Town Hall	13,200	12,349	851	15,094
Utilities - Street lights	10,000	8,864	1,136	8,725
Telephone expense	4,500	3,936	564	4,901
Office supplies	9,000	5,620	3,380	6,455
Dues & Subscriptions	1,500	2,017	(517)	2,501
Repairs to buildings	7,500	2,084	5,416	8,626
Repairs to equipment	7,500	11,937	(4,437)	7,191
Cleaning contract - Town Hall	4,500	4,140	360	4,178
Computer upgrade	4,000	8,282	(4,282)	5,789
Tools & Supplies	1,500	1,457	43	1,505
Uniforms	1,000	1,011	(11)	867
Dog pound and related expenses	7,000	8,913	(1,913)	5,253
Planning and zoning commission	300	0	300	94
Recreation and parks	1,000	100	900	75
Unemployment insurance	500	64	436	0
Miscellaneous expense	18,500	23,877	(5,377)	17,076
Medicare expense	1,600	1,534	66	1,443
OAB Expense	6,500	6,559	(59)	6,396
Case Management - Docket	1,050	1,210	(160)	1,052
La Comm Law Enforce - Training Fund	1,700	1,186	514	1,260
La Comm Law Enforce -Crime Victims Reparation Fund	500	293	208	285
Court Witness fees	1,300	1,275	25	1,025
Sewer projects - Streets	0	0	0	1,522
Engineering fees	6,000	0	6,000	8,586
Total General Government	281,350	282,872	(1,522)	272,214

Town of Addis, Louisiana
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual - General Fund
Year ended December 31, 2002 with comparative totals for 2001

Schedule 2

	Revised <u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	2001 <u>Actual</u>
Police Department -				
Salaries	131,000	133,277	(2,277)	116,949
Gas & Oil	8,500	11,230	(2,730)	8,472
Expense allowance	3,500	3,761	(261)	4,091
Capital District Grants	0	0	0	465
Insurance and bonds	120,500	22,163	98,337	19,765
Health insurance	34,500	30,120	4,380	28,995
Salaries - Cops Grant - Federal Share	5,000	2,339	2,661	7,422
Salaries - Criminal patrols/ICAP	10,000	8,352	1,648	9,241
Salaries - Domestic violence program	0	0	0	2,656
Salaries - Holiday grants	1,120	501	619	1,281
Telephone and pagers	2,750	2,279	471	2,717
Office supplies	1,500	2,114	(614)	1,851
Dues and subscriptions	400	304	96	385
Repairs to equipment	17,500	19,376	(1,876)	6,053
Computer upgrade	1,500	1,108	392	1,583
Tools and supplies	3,500	5,783	(2,283)	3,869
Uniforms	4,000	3,273	727	4,071
Unemployment insurance	200	141	59	0
Medicare expense	2,000	2,194	(194)	1,963
OAB Expense	2,000	2,283	(283)	1,655
Police Retirement	11,000	9,110	1,890	9,193
Miscellaneous grants	0	0	0	221
Capital District grant	0	971	(971)	0
LLEBG grant noncapital outlay	0	0	0	1,244
Training	2,700	2,727	(27)	1,268
Narcotics	1,000	1,328	(328)	932
Miscellaneous	3,500	4,125	(625)	2,440
Public awareness	300	25	275	749
Disallowed costs - federal grant	0	0	0	14,205
Legal settlement damages	0	100,000	(100,000)	0
Total Police Department	367,970	368,885	(915)	253,734

Town of Addis, Louisiana
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual - General Fund
Year ended December 31, 2002 with comparative totals for 2001

Schedule 2

	Revised Budget	Actual	Favorable (Unfavorable)	2001 Actual
Expenditures:				
Current:				
Streets and Sanitation -				
Salaries and wages	73,000	71,915	1,085	68,453
Gas & oil	2,500	3,428	(928)	3,294
Insurance & bonds	9,700	10,061	(361)	9,585
Health insurance	14,000	14,970	(970)	11,698
Deferred compensation	3,100	2,725	375	2,641
Repairs to equipment	5,100	4,623	477	2,753
Tools & supplies	6,500	7,447	(947)	9,099
Unemployment	200	73	127	0
Miscellaneous	1,000	977	23	1,419
Medicare Tax expense	1,100	1,184	(84)	1,088
OAB Tax expense	4,500	4,487	13	4,109
Road repairs and materials	2,000	240	1,760	782
Street overlays	2,500	0	2,500	0
Drainage and ditching	6,500	25,875	(19,375)	911
Tree cutting and removal	2,000	1,300	700	0
Grass cutting - contract	9,000	5,733	3,267	8,688
Garbage pickup	1,500	1,436	64	1,436
Street signs	1,500	925	575	1,201
Equipment rental	0	0	0	166
Sidewalk grant expense	20	0	20	20
Total Streets & Sanitation	145,720	157,398	(11,678)	127,343
Capital Outlays -				
General Government	627,300	21,876	605,424	54,723
Police Department	44,000	30,282	13,718	57,380
Streets and Sanitation	28,000	0	28,000	25,917
Total Capital outlays	699,300	52,158	647,142	138,020
Total Expenditures	1,494,340	861,313	633,027	791,310
Excess Revenues over (under) Expenditures	(701,000)	162,252	863,252	74,494
Other Financing Sources (Uses)				
Operating transfers in (out) - Special Revenue LLEBG grant	0	0	0	71
Operating transfers in (out) - Enterprise fund	0	(9,275)	(9,275)	0
Total Other Financing Sources (Uses)	0	(9,275)	(9,275)	71
Excess Revenues and other Financing Sources over (under) Expenditures and other Financing (Uses)	(701,000)	152,977	853,977	74,565
Fund Balance - Beginning	1,574,458	1,643,261	68,803	1,574,458
Residual Equity Transfer In (Out) - Capital Projects - LCDBG	0	(579,497)	(579,497)	(5,762)
Residual Equity Transfer In (Out) - Enterprise Fund	0	(33,300)	(33,300)	0
Fund Balance - Ending	\$873,458	\$1,183,441	\$309,983	\$1,643,261

Town of Addis
Combining Balance Sheets - Special Revenue Funds
December 31, 2002 with comparative totals for 2001

Schedule 3

	Local Asset Forfeiture	Federal Asset Forfeiture	2002 Totals	2001
ASSETS				
Cash on hand	\$0	\$0	\$0	\$0
Cash in banks	0	100	100	614
Grant funds receivable	0	0	0	0
Total Assets	\$0	\$100	\$100	\$614
=====				
LIABILITIES				
Accounts payable	0	0	0	0
Due to other funds	0	100	100	100
Total Liabilities	0	100	100	100
FUND EQUITY				
Fund balances	0	0	0	514
Total Liabilities and Fund Equity	\$0	\$100	\$100	\$614
=====				

Town of Addis
Combining Schedule of Revenue, Expenditures and
Changes in Fund Balance - Special Revenue Funds
Year Ended December 31, 2002 with comparative totals for 2001

Schedule 4

	Local Asset Forfeiture	Federal Asset Forfeiture	2002 Totals	2001
REVENUE:				
Pro rata share seized assets	\$0	\$0	\$0	\$0
Federal grant	0	0	0	0
Interest income	0	0	0	0
Miscellaneous income	0	0	0	0
Total Revenue	0	0	0	0
EXPENDITURES:				
Current - Public safety				
Supplies	0	0	0	86
Telephone	514	0	514	0
Total Current Expenditures	514	0	514	86
Capital Outlays	0	0	0	0
Total Capital Outlays	0	0	0	0
Total Expenditures	514	0	514	86
Excess Revenues over (under) Expenditure:	(514)	0	(514)	(86)
Other Financing Sources (Uses)				
Operating Transfers In (Out)				
General Fund	0	0	0	(71)
Total Other Financing Sources (Uses)	0	0	0	(71)
Excess Revenues and Other Financing Sources over (under) Expenditures and Other Financing (Uses)	(514)	0	(514)	(157)
Fund Balance - Beginning	514	0	514	672
Fund Balance - Ending	\$0	\$0	\$0	\$514
	=====	=====	=====	=====

Other Reports Required By

Government Auditing Standards

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or weaknesses in internal control or compliance matters that would be material to the presented financial statements.

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Erwinville, Louisiana 70729
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Addis, Louisiana

I have audited the general purpose financial statements of the Town of Addis, Louisiana, as of and for the year ended December 31, 2002, and have issued my report thereon dated August 21, 2003. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Addis, Louisiana's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 2002 - 1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Addis, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town of Addis's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses and accordingly, would not disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness. I also noted other matters involving internal control over financial reporting that I have reported to management of the Town of Addis, Louisiana in a separate letter dated August 21, 2003.

This report is intended for the information of the Mayor and Members of the Board of Aldermen of the Town of Addis, Louisiana, management, others within the organization, pass through entities, federal awarding agencies and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "W. Kathleen Beard".

W. Kathleen Beard, CPA
August 21, 2003

W. Kathleen Beard
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Addis, Louisiana

Compliance

I have audited the compliance of Town of Addis, Louisiana, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The Town of Addis, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Addis, Louisiana's management. My responsibility is to express an opinion on Town of Addis, Louisiana's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Addis, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Town of Addis, Louisiana's compliance with those requirements.

In my opinion, Town of Addis, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control over Compliance

The management of Town of Addis, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Town of Addis, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Mayor and Town Council, federal awarding agencies and pass-through entities and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "W. Kathleen Beard". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

W. Kathleen Beard, CPA
August 21, 2003

Town of Addis
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2002

<u>Federal Grantor/ Pass-through Grantor/ Program Name</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursement/ Expenditures</u>
U. S. Department of Housing and Urban Development			
Louisiana Office of Community Development			
Community Development Block Grants -			
State Administered - Small Cities Program	14.228	574359	\$1,000,000
U. S. Department of Justice			
Public Safety Partnership - Community Policing Grant	16.710		11,522
U. S. Department of Justice			
Louisiana Commission on Law Enforcement			
Byrne Formula Grant Program			
Integrated Criminal Apprehension	16.579		3,969
Law Enforcement Equipment	16.592		2,946
Federal Emergency Management Agency			
Louisiana Office of Emergency Preparedness			
Public Assistance Grants	83.544		6,142
U. S. Department of Transportation			
Louisiana Highway Safety Commission			
State & Community Highway Safety	20.600		502
			<u>\$1,025,081</u>
			=====

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Addis and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the general purpose financial statements.

Note B - Local Revenues

The Town of Addis' share of project costs through December 31, 2002 are as follows:

	<u>2001</u>	<u>2002</u>
General Fund	\$5,762	\$579,497
Enterprise Fund	81,815	1,380
	<u>-----</u>	<u>-----</u>
Total Local Share	\$87,577	\$580,877
	=====	=====

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a unqualified opinion on the financial statements of the Town of Addis.
2. One reportable condition disclosed during the audit of the general purpose financial statements is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the general purpose financial statements of the Town of Addis was disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Town of Addis expresses an unqualified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Community Development Block Grant - State Administered - Small Cities Program
CFDA 14.228
8. The threshold for distinguishing Type A and B programs was \$300,000
9. The Town of Addis was determined to not be a low-risk auditee.

Findings - Financial Statements Audit

Compliance

2002-1 Condition: The audit was not completed and delivered to the Louisiana Legislative Auditor within the statutory six month deadline.

Cause: The books and records for the Town of Addis were delivered to the auditor on June 19, 2003. The auditor cannot perform an audit in accordance with auditing standards in eleven days.

The Clerk cites several reasons for the delay in having the books ready for audit. In January of 2003 the Town began using a new accounting and payroll software package. Problems were encountered in getting the payroll package to function correctly. Installation, debugging, and training for this new software was top priority, consequently, finishing the 2002 accounting and gathering of audit data was delayed.

Criteria: The audit must be completed and delivered to the Louisiana Legislative Auditor within six months of the close of the fiscal year end.

Effect: Noncompliance with LA RS 24:513.

Perspective Information: This is the second consecutive year the audit for the Town of Addis has been late.

Recommendation: Accounting duties must take top priority. The Clerk must keep the general ledgers current through out the year. Monthly accounting procedures must include carefully reviewing the current month postings and correcting posting errors in that month before the month is closed out to prevent the need for numerous journal entries in later months or at year end. To be more efficient, the Clerk must intergrate data obtained from computer reports in her accounting procedures and abandon obsolete manual worksheets. This is especially true for preparing payroll tax deposits and quarterly payroll returns. If the accounting is performed in this manner monthly, the only close out procedures should be the accruing of receivables.

Other employees performing accounting tasks should be supervised by the Clerk. All accounting procedures and other financial procedures should be reevaluated and revised as necessary to fully utilize the software applications and reporting capabilities and eliminate unnecessary tasks performed manually.

Management's Plan of Corrective Action:

The cause for the delay in filing this year's audit was related to new software installation, debugging and training. Now that the software is installed, we feel that there should be no delays in filing subsequent audits. We express thanks to the Legislative Auditor for his patience and cooperation in this matter.

Findings - Financial Statements Audit (Continued)

Internal Control - Reportable Condition

Finding 2002-2 Condition: The Clerk (bookkeeper) is not getting copies of police grant applications, requests for funds and other grant documents on a timely basis.

Criteria: These documents provide information to the Clerk to properly budget and record revenue received and inform her of any special grant requirements.

Cause: Lack of communication between departments.

Effect: When revenue checks are received and there is no information available, the Clerk does not know to which revenue account to code the funds. Further, if there are subsequent modifications to grant awards the Clerk must be privy to this information. Lack of information could be very costly to the Town of Addis.

Recommendation: When the Mayor signs the grant application a copy should be made and given to the Clerk. The Clerk should also receive a copy of the award documents and Request for Funds, when they are prepared. The Clerk should establish a file for each new grant and file all documents related to that grant in that file.

Management's Corrective Action Plan:

Met with the auditor and appropriate individuals to bring resolution to the finding. The administrative oversight of police grants has changed from a part-time officer to a full-time officer. Communication between the Town Clerk and Administrative Officer has previously occurred and the proper documentation is being provided to the Town Clerk.

Findings and Questioned Costs - Major Federal Award Programs Audit

None

**INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FINANCIAL STATEMENTS**

Finding 2001-1. Internal Control - Material Weakness During 2000 the COPS grant was modified by the grantor reducing the award by \$69,102. The Clerk, who is responsible for the finances of the Town, and responsible for making draw downs was not provided a copy of the COPS Grant Modification document (signed by the Mayor and Police Chief). Consequently, the grant was overdrawn by \$14,204.64 which had to be repaid.

Recommendation: The Town Clerk who is responsible for the finances of the Town should be provided all documents related to any financial matters. The Town might establish a policy of using inter-office Memo's or Email to make requests for information from, or provide information to other departments.

When the Mayor signs financial documents, a copy should be made and given to the Clerk.

Resolution: During 2002, the Clerk was not consistently provided with copies of grant documents. (See Finding 2002-2) It appears that as of this date efforts are being made to correct the problem.

Finding 2001-2 Internal Control - Material Weakness: The Addis Police Department began using a separate post office box as their address when applying for grants, consequently some checks are being delivered to this post office box instead of the official Town of Addis post office box.

Recommendation: All checks and financial documents should be delivered to the official Town of Addis post office box and routed directly to the accounting department. The official Town of Addis address should be used when applying for grants and opening bank accounts, etc. Grants already applied for with the Addis Police Department address should be changed to the Town's address. All financial documents including bank statements for all departments should go to the Town's official address and routed to the Town Clerk. The Police Department's post office box should be used only for non-financial mail.

Resolution: This matter has been partially resolved, grants applications have the official Town of Addis address but bank statements and some invoices for the Police Department continue to be mailed to the Police Department post office box. The Clerk is given copies of the bank statements, (no checks or deposits), invoices are submitted to the Office clerk in charge of processing invoices.

**INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FINANCIAL STATEMENTS (Continued)**

Finding 2001-3 Noncompliance Material to the Financial Statements: The audit was not completed and delivered to the Louisiana Legislative Auditor within the statutory six month deadline.

Recommendation: Accounting duties must take top priority. The Clerk must keep the general ledgers current through out the year. Monthly accounting procedures must include carefully reviewing the current month postings and correcting posting errors in that month before the month is closed out to prevent the need for numerous journal entries in later months or at year end. To be more efficient, the Clerk must integrate data obtained from computer reports in her accounting procedures. This is especially true for preparing quarterly payroll returns. If the accounting is performed in this manner month by month, the only close out procedures would be the accruing of receivables and payables.

When new software is installed all accounting procedures and other financial procedures should be reviewed and revised as necessary to fully utilize the software applications and reporting capabilities and eliminate tasks performed manually.

Resolution: There was no resolution of this issue relevant to the 2002 audit. The priority for the accounting process required to close out the year and prepare the 2002 books and records for audit was secondary to installation of the new accounting and payroll package and other clerical tasks. (See Finding 2002-1) As of this date the new software has been installed and the accounting for 2003 is progressing.

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Management Letter

To the Mayor and Members
Of the Board of Aldermen
Town of Addis, Louisiana

I have audited the financial statements of the Town of Addis, Louisiana as of and for the year ended December 31, 2002 and have issued my report thereon dated August 21, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of OMB Circular A-133.

As part of my examination, I have issued my report on the financial statements, dated August 21, 2003 and my report on internal control and compliance with laws, regulations and contracts dated August 21, 2003.

During the course of my examination, I became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 2002-1:

Condition: Numerous journal entries made to reclassify checks and make corrections.

Criteria: Reliable monthly financial reporting is a result of accurate coding of checks and deposits.

Cause: No supervisory review of coding of expenditures.

Effect: Expenditures misstated in interim statements and numerous journal entries required to correct previous month misclassifications

Recommendation: Either the Clerk should code invoices, or if another employee codes invoices, the Clerk should carefully review before the check is prepared and posted, thereby elimination the need for correction by journal entry.

Management's Corrective Action Plan:

We have met with the auditor and appropriate individuals to bring resolution to the suggestion. The Office clerk will perform the initial coding of invoices. The Town Clerk will verify that the correct code has been applied. Both parties shall initial the coding. Invoices will then be entered in the software program to begin the posting and paying process, once approved by the Town Council.

Suggestion 2002-2:

Condition: Unusual and nonrecurring journal entries lacked appropriate supporting documentation.

Criteria: Journal entries are an integral part of the accounting process. All adjustments to the accounting records should be justified with documentation.

Cause: Workpapers, when made, were not kept, or cannot be found.

Effect: Unable to determine the accuracy of adjustments and basis of accruals.

Recommendation: Prepare and retain supporting documentation for all journal entries. A journal entry file should be established to retain journal entries and their supporting documentation.

Management's Corrective Action Plan:

Met with the auditor and the appropriate individual to bring resolution to the suggestion. The Town Clerk will prepare and retain all supporting documents for all ledger entries.

Suggestion 2002-3:

Condition: Trailer Moving Permit and Hall Rent revenue accounts are used to record refundable deposits and subsequent refund of deposits.

Criteria: Refundable deposits are a liability

Cause: Oversight

Effect: Revenue is misstated, no liability is reported.

Recommendation: Establish a liability account in the general ledger to record the portion of the receipt that is a refundable deposit. Post both the deposit and the refund check to this account. If any portion of the deposit is retained for damage, post that amount to repairs and maintenance.

Management's Corrective Action Plan:

Met with the auditor and the appropriate individuals to bring resolution to the suggestion. The Town Clerk will establish an account in the general ledger to post both the deposit and the refund check to the liability account. Rental or permit fees will be recorded as revenue. If any portion of the refund is retained for damages, it will be posted to the appropriate maintenance account.

Suggestion 2002-4:

Condition: No inventory of sewer tanks is maintained.

Criteria: Sewer tanks purchased but not yet installed are inventory and not subject to depreciation until placed in service.

Cause: Oversight

Effect: Fixed assets and depreciation are overstated, and there is insufficient internal control over tanks.

Recommendation: Sewer Department personnel should note on their work papers the date and model of tank installed. The cost of tanks should be posted to Inventory in the general ledger when purchased. At year end tanks on hand should be counted by make (or model) and listed as inventory. The inventory reported in the general ledger should be adjusted to reflect tanks installed as documented in Sewer personnel work papers. Tanks installed should be reclassified to fixed assets. Inventory reported in the general ledger should correspond to the Inventory list.

Management's Corrective Action Plan:

Met with the Public Works Supervisor and Sewer Leaderman to discuss the need to maintain inventory of number and types of sewer tanks. The Town Clerk will post purchased tanks to the inventory account in the general ledger, as tanks are installed they will be reclassified into fixed assets.

Suggestion 2002-5:

Condition: Numerous minor equipment purchases are recorded as capital outlays and general fixed assets.

Criteria: Assets purchased with a useful life of more than one year should be capitalized, however, it is acceptable practice to set a floor for capitalization of assets.

Cause: Accounting policies have not been updated to reflect the current economical effects of low cost equipment (printers, etc.)

Effect: The burden of accounting for minor equipment is larger than the benefit.

Recommendation: Revise accounting policy to set a floor for capitalization of minor equipment. The minimum should be no lower than \$500. An schedule of significant minor equipment should be maintained for internal control purposes.

Management's Corrective Action Plan:

Met with the auditor and the appropriate individuals to bring resolution to the suggestion. An accounting policy will be established to provide a floor for capitalization of minor equipment. The suggested amount of \$500 will be set.

Suggestion 2002-6:

Condition: Sewer fees are recorded net of collection fee charged.

Criteria: Sewer fees should be recorded at the actual amount and the collection fee should be charged to expense.

Cause: Oversight

Effect: Revenue understated, expense not recorded.

Recommendation: Gross up revenue for collection fee deducted, record collection fee as an expense

Management's Corrective Action Plan:

Met with the auditor and the appropriate individuals to bring resolution to the suggestion. Sewer user fees for a portion of the Town of Addis is collected by Water District No. 2 in Brusly. The Town Clerk will set up an account to reflect the actual income paid and will expense collections fees established by Water District No. 2.

Suggestion 2002-7:

Condition: Fines for traffic violations are deposited in the bank monthly.

Criteria: Cash and checks received should be deposited on a more frequent basis.

Cause: Oversight

Effect: Large amounts of cash and checks on hand is poor internal control and is an unsafe practice.

Recommendation: Deposits should be made at least weekly, or more frequently if deemed necessary.

Management's Corrective Action Plan:

Met with the auditor and the appropriate individuals to bring resolution to the suggestion. The Court Clerk will make deposits of fines and forfeitures at least once a week. Should receipts exceed \$1,500 within the week, deposits will be made more frequently.

Suggestion 2002-8:

Condition: Invoices received early in the month, after the monthly Board meeting cannot be processed for payment until reviewed and approved by the Board at the subsequent monthly meeting.

Criteria: Invoices should be paid promptly to prevent late charges.

Cause: The monthly Board meeting set for the first Wednesday of the month usually falls in the first few days of the month, before some invoices are received.

Effect: Invoices are paid late and late charges are incurred.

Recommendation: Contact vendors and change due dates to synchronize better with invoice review and approval process.

Management's Corrective Action Plan:

Met with the auditor and the appropriate individuals to bring resolution to the suggestion. We will attempt to contact those vendors to determine if they would work with the Town relative to "due dates". Will continue to determine and seek Town Council approval to pay those pre-approved reoccurring invoices.

Suggestion 2002-9:

Condition: Requests for funds from Police ICAP grants were not submitted on a timely basis. The request for the period of July 1, 2002 through December 31, 2002 was not submitted until July 2003.

Criteria: Receipt of funds should be timed to correspond with the associated expenditure.

Cause: Oversight

Effect: Although expenditures for this program are reflected in the financial statements, revenue does not reflect these funds.

Recommendation: The person assigned the responsibility for applying for and administering these grants must be diligent in requesting the funds.

Management's Corrective Action Plan:

Met with the auditor and the appropriate individuals to bring resolution to the suggestion. The police officer with administrative oversight has changed from a part-time officer to a full-time. When reimbursement funds are requested, they will be accompanied with supporting time-sheets for the requested funds.

I recommend management address the foregoing issues as an improvement to operations and the administration of public programs. I am available to further explain the suggestions or help implement the recommendations.



W. Kathleen Beard, CPA

August 21, 2003